

**AMENDMENTS TO THE SPECIFICATION**

Please amend the paragraph on page 1, lines 3-7, as follows:

The application is related to U.S. patent application Ser. No. 09/812,703 titled "Methods For Collecting Fees For Healthcare Management Group" filed on the same date herewith by the same inventors, which is incorporated herein by reference in its entirety.

Please amend the paragraph on page 2, line 11 to page 3, line 3, as follows:

For example, a physician 25 participating in the insurance network 30 may be reimbursed \$80 per month by the insurance network 30 for agreeing to treat a patient 35 in the insurance network 30 and assume the responsibility for a percentage of the ancillary medical costs ~~45~~ for that patient 25. As illustrated in FIG. 1, there exists a relationship between the insurance network 30 and the physician practice 25. Likewise, there also exists a relationship between the patients 35 and the insurance network 30, and the patients 35 and the physician practices 25. The physician practice 25 normally receives payment for services directly from the patients 35 or through reimbursements from the insurance network 30. The payment that is received from the patient 35 can be in the form of a co-payment or a partial payment for the healthcare services. In order for the physician practice 25 participating in the insurance network 30 to receive the entire reimbursement from the insurance network 30, i.e., the \$80 per month for agreeing to treat each patient 35, the physician practice 25 must comply with preselected requirements set by the insurance network 30. These requirements often fall within varying cost centers~~45~~, such as pharmaceutical, laboratory, anesthesiology, and radiation costs, for example.

Please amend the paragraph on page 14, line 14 to page 15, line 33, as follows:

FIGS. 1A-6A illustrate systems and methods of optimizing profitability of healthcare practices and insurance networks by managing ancillary medical costs. As illustrated in FIG. 1A, the present invention preferably includes a healthcare consultation group 22 that forms an intermediary relationship between a healthcare practice 25 and an insurance network 30. The

healthcare practice 25 preferably includes a plurality of physicians 27 practicing in one or more medical fields in a particular geographic area. The healthcare consultation group 22 determines the most efficient manner to manage ancillary medical costs 45—to thereby increase profitability of the healthcare practice 25 and the insurance network 30 by decreasing ancillary medical costs 45. In cases where the financial responsibility for patient care is divided between the insurance network 30 and the healthcare practice 25, the healthcare consultation group 22 can also advantageously manage ancillary medical costs 45—of the insurance network 30 and the healthcare practice 25 to thereby decrease ancillary medical costs—45, thereby increasing profitability of both the insurance network 30 and the healthcare practice 25. Ancillary medical costs 45—can include pharmacy costs, for example. The ancillary medical costs 45—can also advantageously include any one of a number of medical cost centers such as taken from federally-defined hospital departments. These can include, but are not limited to, anesthesiology, blood, blood storage procedure and administration, radiology, electroencephalogram (EEG), electrocardiogram (EKG), emergency room, IV therapy, organ and tissue acquisition, labor and delivery, medical/surgical supplies, nuclear medicine, occupational therapy, operating room, physical therapy, recovery room, renal dialysis, respiratory therapy, special care, speech therapy, and therapeutic radiology. These general categories also can be broken down into more specific categories as understood by those skilled in the art.

Please amend the paragraph on page 16, line 1 to page 17, line 2, as follows:

As perhaps best illustrated in FIGS. 1A-4, the present invention provides methods for managing a healthcare practice 25 to optimize the profitability of the healthcare practice 25 by decreasing the healthcare costs of the healthcare practice 25. As illustrated in FIG. 3, the present invention also provides methods of optimizing the profitability of an insurance network 30 having a plurality of physicians 27 in a healthcare practice 25 participating therein by managing ancillary medical costs—45, i.e., pharmacy costs, of the healthcare practice 25, or a combination of the healthcare practice 25 and the insurance network 30. The present invention is particularly advantageous for use in association with pharmacy cost because of the large year to year

increases in the cost of prescription medications and other pharmaceutical related costs. The method of managing the healthcare practice 25 and the method of optimizing the profitability of the insurance network 30 includes gathering data 50 from each of the plurality of physicians 27 in the healthcare practice 25 participating in the insurance network 30 regarding management of ancillary medical costs ~~45~~. The step of gathering of data 50 preferably includes conferring with the healthcare practice 25 and the insurance network 30 to determine 53 the number of patients 35 participating in the insurance network ~~30~~53 and the current ancillary medical procedure used to treat those patients 35. In a case where the ancillary medical cost ~~45~~ is pharmacy cost, for example, the method includes gathering data from the physicians 27 regarding the number of pharmacy claims over a predetermined period of time, the number of patients 35 treated by the physician 27, and demographic information about the physician 27.

Please amend the paragraph on page 17, lines 3-26, as follows:

Data is also gathered 52 from ancillary medical facilities ~~40~~52 regarding ancillary medical costs ~~45~~ of each of the plurality of physicians 27 in the healthcare practice 25 participating in the insurance network 30. This data can advantageously include claims information, claim types and cost data regarding the claims. This data can also advantageously be gathered from the healthcare practice 25 or the insurance network 30. The data collected from the ancillary medical facilities 40 can be available on an ancillary medical network database, such as a pharmacy network listing pharmacy costs for each of a plurality of physicians 27 in the healthcare practice 25. Again, in a case where the ancillary medical cost ~~45~~ is pharmacy cost, for example, the method of gathering data 50 includes obtaining average wholesale pharmacy costs from pharmacy networks such as First Databank, Red Book, and Blue Book, for example, or any other pharmacy network as understood by those skilled in the art. The step of gathering data 50 from the pharmacy also includes getting monthly updates from the pharmacy network regarding average wholesale pharmacy costs. The step of gathering data 50 further preferably includes extrapolating a contracted price of prescription medications from the pharmacy claims data.

Please amend the paragraph on page 17, line 27 to page 18, line 15, as follows:

If the ancillary medical cost ~~45~~ is pharmacy cost, for example, then the step of gathering data 50 can advantageously include preparing a management report that includes information regarding the physician's pharmacy cost performance measured by per member per month (PMPM) costs. The management report can also advantageously include a physician report card to inform the physician 27 of current performance and high cost patient reports from the physician 27. The report card is advantageously detailed for each physician 27 based on prescribing patterns, costs of management behavior to them and the healthcare practice 25, peer-reviewed alternative prescription medications, and potential savings if followed. The report cards are then presented to the identified physician 27 so that they can perform their own analysis. The healthcare practice 25 can advantageously encourage the physician 27 to give the report consideration. The management report can also advantageously include a list of the top medication providers, e.g., the top fifty high-cost prescription medication providers and a pharmacy cost management report.

Please amend the paragraph on page 18, line 16 to page 19, line 7, as follows:

The method of managing the healthcare practice 25 and the method of optimizing the profitability of an insurance network ~~45~~ both further preferably include identifying 56 at least one physician 27~~56~~ in the healthcare practice 25 that is engaging in ancillary medical procedures that are not as profitable or preferred by the insurance network 30. Physicians 27 who engage in the ancillary medical procedures that are not preferred by the insurance network 30 are sometimes at risk of not receiving a predetermined reimbursement amount from the insurance network 30. These ancillary medical procedures can include the prescription of medications that are not as profitable to the insurance network 30 or the physicians 27 in the healthcare practice 25. In cases where the financial responsibility for patient 35 care is shared between the healthcare practice 25 and the insurance network 30, then the profitability of both the insurance network 30, and the healthcare practice 25 are enhanced. Typically, alternative medications are available that combat the same illnesses. In some instances, however, either the physician is not

familiar with the alternative medication or the patient 35 insists on a particular brand-name medication merely because the brand-name medication has been greatly advertised, marketed, or commercialized.

Please amend the paragraph on page 19, lines 8-26, as follows:

The step of identifying the at least one physician 56 preferably includes analyzing the data 58 collected from the physicians and the ancillary medical network databases to determine the ancillary medical costs 45 of each physician 27 in the healthcare practice 25. The step of identifying the at least one physician 56 also preferably includes calculating 60 an average ancillary medical cost per physician in the healthcare practice 25. After an average is calculated 60, physicians 27 having ancillary medical costs 45 that fall a predetermined standard deviation away from the average, e.g., two standard deviations from the average of their peers in the healthcare practice 25, are identified 56 and targeted for intervention. Should a point be reached where no physician 27 falls beyond the two standard deviation limit, then a predetermined percentage of the physicians having the highest or higher than average ancillary medical costs 45 will be considered for intervention.

Please amend the paragraph on page 19, line 27 to page 20, line 7, as follows:

The method of managing the healthcare practice group 20 and optimizing the profitability of an insurance network 30 both further include identifying patients ~~27-35~~ and ancillary medical procedures that have costs above the average ancillary medical cost calculated above. For example, the step of identifying patients ~~27-35~~ whose ancillary medical costs 45 are greater than the average ancillary medical costs per physician 27 can include identifying patients 35 who have pharmacy costs greater than the average pharmacy cost of the physician 27. Another example preferably includes identifying prescription medications having a higher cost than the average prescription medication cost of the healthcare practice 25.

Please amend the paragraph on page 20, lines 8-16, as follows:

When the physician 27 that has ancillary medical costs 45 greater than the average ancillary medical costs of the healthcare practice 25 is identified, the method of managing the healthcare practice group 20 and optimizing the profitability of an insurance network 30 both further include conferencing with the identified physician 27 to discuss the impact of not taking any action regarding ancillary medical cost 45 overruns.

Please amend the paragraph on page 20, lines 17-27, as follows:

The method of managing the healthcare practice 20 and the method of optimizing the profitability of an insurance network 30 both further include modifying the physician's management behavior 65 regarding the ancillary medical costs 45. The physician's management behavior is modified to advantageously reduce the risk of not collecting the predetermined reimbursement amount from the insurance network 30 to thereby increase the physician's profitability. The physician's modified management behavior can also advantageously increase the profitability of the insurance network 30.

Please amend the paragraph on page 24, line 17 to page 25, line 10, as follows:

As best illustrated in FIG. 2A-2C the methods of managing a healthcare practice 25 and optimizing profitability of an insurance network 30 of the present invention also includes providing patient intervention 80 to enhance the profitability of the physicians 27 and the insurance networks 30. One source of increased ancillary medical costs are unnecessary patient requests. The patients 35 sometimes request particular ancillary medical procedures because of a lack of knowledge regarding alternative ancillary medical procedures. For example, some patients 35 insist on brand-name medications that are largely commercialized without having the requisite knowledge to make an informed decision regarding alternative ancillary medications.

The step of providing patient intervention 80 advantageously includes identifying 56 the patients who participate in ancillary medical procedures that are not preferred by the insurance network 30 and put the physician 27 at risk of not receiving a predetermined reimbursement from the insurance network 30. The method of providing the patient intervention 80 also advantageously includes discontinuing ~~82~~ the current ancillary medical procedure and amending it with a new ancillary medical procedure that is preferred by the insurance network 30 and reduces the risk of the physician 27 not receiving the predetermined reimbursement amount from the insurance network 30.

Please amend the paragraph on page 26, lines 1-18, as follows:

The steps of discontinuing and amending ~~82~~ current ancillary medical procedures includes providing information to the patients 35 regarding the benefits of the new alternative medical procedure, e.g., information that a lay-patient can understand regarding the benefits of an alternative prescription medication. The step of providing patient intervention also includes providing a monthly review of patient's charts to determine if the new ancillary medical procedures are sufficient for the patient's treatment. As patients are identified 56 that are not being treated per guidelines of alternative ancillary medical procedures, a chart 48 is advantageously inserted into a patient's medical chart, recommending an alternative ancillary medical procedure. The chart insert 48 advantageously includes an explanation of the recommended and pre-written ancillary medical procedure orders, i.e., pre-written prescriptions, for the physician's approval.

Please amend the paragraph on page 27, line 3 to page 28, line 1, as follows:

The step of discontinuing an ancillary medical procedure ~~82~~ further includes the step of preparing a plurality of letters 86. The step of preparing letters includes the healthcare consultation group 22 obtaining permission 84 from the physician 27 to distribute letters ~~85~~ 87 to the patients 35 that are candidates for modification of ancillary medical procedures. One of the plurality of letters informs the ancillary medical facility of the discontinuation of a particular ancillary medical procedure ~~86~~ 88. Another of the plurality of letters informs the patient that a

particular ancillary medical procedure is discontinued 87. The letters can advantageously be written on the physician's letterhead. The letter to be sent to the patient ~~87-35~~ advantageously includes a detailed explanation of why the ancillary medical procedure is being modified, the benefits of the new ancillary medical procedure, and the advantages that patient 35 will obtain from using the new ancillary medical procedures. The letter to be sent to the ancillary medical facility ~~86-88~~ instructs the ancillary medical facility that the ancillary medical procedure is discontinued and can also advantageously inform the ancillary medical facility of an amendment to the ancillary medical procedure. The step of discontinuing the ancillary medication also includes providing the physician 27 with a list of "frequently asked questions and answers" so that the physician 27 is prepared for what may be difficult questions posed by the patients 35. This advantageously allows the physician 27 to give the patients 35 clear and concise answers that do not make the patient 35 feel as though the physician 27 and the insurance network 30 are taking advantage of the patient.

Please amend the paragraph on page 28, line 20 to page 29, line 5, as follows:

The methods of managing the healthcare practice 25 and optimizing the profitability of the insurance network 30 also advantageously includes updating ~~90~~ physicians 27 regarding changes of ancillary medical procedures preferred by the insurance network 30. The step of updating ~~90~~ can advantageously include mailing the updated changes to each of the physicians 27 in the healthcare provider group 22 using a newsletter 90, or can advantageously include transmitting the changes to the physicians 27 via electronic mail or flyers, or other types of updates. The step of updating ~~90~~ can also advantageously include connecting to a communications network 100 where to access the updated information. This advantageously eliminates the time necessary for the physicians 27 to research new preferred ancillary medical procedures. The updates are also a form of continuing education for the physician 27 to learn of new techniques and medications that are available to enhance the treatment of the patients 35.



Please amend the paragraph on page 29, line 16 to page 30, line 3, as follows:

As best illustrated in FIGS. 1A, 4, and 5, the present invention advantageously includes a healthcare management optimization system 20 for a healthcare practice 25 including a plurality of physicians 27 participating in an insurance network 30. The system can advantageously include a server 102 with a database 103 and a communications network 100. The system 20 also preferably includes a plurality of computers 108 positioned to be in communication with the communications network 100, each including a user interface responsive to a user U. The database 103 can advantageously include first ~~105~~ and second ~~107~~ databases. The first database ~~105~~ includes information regarding preferred ancillary medical procedures of an insurance network. The second database ~~107~~ includes ancillary medical costs of a plurality of physicians 27 participating in the insurance network 30. The system further includes an updater ~~109~~ positioned on the server 102 and responsive to the user interface for updating each of the plurality of physicians 27 on any changes of preferred ancillary medical procedures preferred by the insurance network 30.

Please amend the paragraph on page 30, lines 4-22, as follows:

The system 20 of the present invention also includes an analyzer such as provided by software programs stored on a computer or processor as understood by those skilled in the art positioned on the server 102 and in communication with the first ~~105~~ and second ~~107~~ databases for comparing the ancillary medical procedures that are preferred by the insurance network 30 with the ancillary medical costs ~~45~~ of the plurality of physicians 27 participating in the insurance network 30. The analyzer advantageously identifies ancillary medical costs ~~45~~ of the physicians 27 that are not preferred by the insurance network 30. The analyzer further includes calculating means for calculating an average ancillary medical cost ~~45~~ per physician 27 for the healthcare practice 25. The average ancillary medical cost ~~45~~ is used to identify the physicians 27 that are in need of assistance to reduce the risk of not receiving the predetermined reimbursement amount for ancillary medical costs ~~45~~ from the insurance network 30.

Please amend the paragraph on page 30, line 23 to page 31, line 15, as follows:

The system 20 still further includes recommending means, e.g., provided by software as understood by those skilled in the art, positioned on the server 102 and responsive to the user interface for recommending to each of the plurality of physicians 27 alternative ancillary medical procedures that are preferred by the insurance network 30. The recommending means can advantageously be provided by software that resides on the server 102. The system also preferably includes managing means, e.g., provided by software as understood by those skilled in the art, for managing ancillary medical cost management behavior of the physicians 27. The managing means can advantageously be provided by software that resides on the server 102. The managing means preferably includes a modifier to modify the management behavior of the physicians 27 so that the physicians 27 engage in ancillary medical procedures that are preferred by the insurance network 30. The managing means also includes an identifier for identifying at least one of the plurality of physicians 27 in the healthcare practice 25 participating in the insurance network 30 that is at a greater risk of not receiving a predetermined reimbursement amount for the ancillary medical costs ~~45~~—from the insurance network ~~45~~—30 because of engagement in ancillary medical procedures that are not as profitable to the insurance network 30.

Please amend the paragraph on page 32, line 23 to page 33, line 17, as follows:

The method of collecting fees 120 can advantageously include the step of the healthcare consultation group 22 funding an incentive pool 124 to be paid to the healthcare practice 25, or to the insurance network 30, depending upon who hires the healthcare consultation group 22. The healthcare consultation group 22 only collects a fee if their services to the healthcare practice 25 and the insurance network 30 are successful. Therefore, the fees are only collected on a success-fee basis. In some cases, however, a nominal fee may be charged by the healthcare consultation group 22 before services are performed. The measure of success of the services of the healthcare consultation group 22 is a decrease in healthcare costs of the insurance network 30 and the physicians 27 in the healthcare practice 25 for specific ancillary medical costs~~45~~. If

services of the healthcare consultation group 22, however, do not decrease healthcare costs for the plurality of physicians 27 or the insurance network 30 below a predetermined level over a preselected period of time, the funds in the incentive pool are turned over to the healthcare practice 25 or the insurance network 30, depending on who is the healthcare consultation's group 22 client. This advantageously provides accountability to the healthcare consultation group 22. Accountability will ease the minds of the healthcare practice 25 and insurance network 30 giving the healthcare consultation group 22 a chance to prove that profits can be enhanced.

Please amend the paragraph on page 33, line 18 to page 34, line 2, as follows:

The method of collecting fees 120 further includes distributing predetermined percentages 126 of savings attributed to the services of the healthcare consultation group 22. As illustrated in FIG. 3, the savings are distributed to the healthcare practice Y, the healthcare consultation group Z and the insurance network X. For example, the percentages can be 40% to the consultation group. Clearly these percentages can vary depending on the client of the consulting group and an agreement between the parties. This arrangement advantageously allows all involved to gain, including patients, through more cost-effective medical care. The predetermined percentage that is distributed to the healthcare practice Y can advantageously be further distributed 128 in predetermined percentages evenly to the healthcare practice 25 or allocated proportionately according to the savings 129 of each of the plurality of physicians 27 in the healthcare practice 25.

Please amend the paragraph on page 35, line 33 to page 36, line 3, as follows:

The application is related to U.S. patent application Ser. No. 09/812,703 titled "Methods For Collecting Fees For Healthcare Management Group" filed on the same date herewith by the same inventors, which is incorporated herein by reference in its entirety.